

## **SUPERVISORY AGREEMENT**

This Supervisory Agreement (Agreement) is made this January 25, 2011 by and through the Board of Directors (Board) of Systematic Savings and Loan Association, Springfield, Missouri, OTS Docket No. 02988 (Association) and the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the Western Region (Regional Director);

**WHEREAS**, the OTS, pursuant to 12 U.S.C. § 1818, has the statutory authority to enter into and enforce supervisory agreements to ensure the establishment and maintenance of appropriate safeguards in the operation of the entities it regulates; and

**WHEREAS**, the Association is subject to examination, regulation and supervision by the OTS; and

**WHEREAS**, based on its examination of the Association, the OTS finds that the Association has engaged in unsafe or unsound practices and/or violations of law or regulation; and

**WHEREAS**, in furtherance of their common goal to ensure that the Association addresses the unsafe or unsound practices and/or violations of law or regulation identified by the OTS in the August 23, 2010 Report of Examination (2010 ROE), the Association and the OTS have mutually agreed to enter into this Agreement; and

**WHEREAS**, on January 24, 2011, the Association's Board, at a duly constituted meeting, adopted a resolution (Board Resolution) that authorizes the Association to enter into this Agreement and directs compliance by the Association and its directors, officers, employees, and other institution-affiliated parties with each and every provision of this Agreement.

**NOW, THEREFORE**, in consideration of the above premises, it is agreed as follows:

**Management.**

1. By February 28, 2011, the Association shall employ a qualified operations officer with financial institution experience to assist in the day-to-day management of the Association's operations and who is acceptable to the Regional Director pursuant to Paragraph 23 of this Agreement.

**Business Plan.**

2. By March 31, 2011, the Association shall submit to the Regional Director for review and comment an updated comprehensive business plan for the time period from March 31, 2011 to December 31, 2013 (Business Plan). At a minimum, the Business Plan shall conform to applicable laws, regulations, and regulatory guidance, address all corrective actions in the 2010 ROE relating to the Association's Business Plan, and include:

- (a) a plan to improve the Association's core earnings and achieve profitability on a consistent basis throughout the term of the Business Plan;
- (b) an analysis of funds management, lending activities, investments, interest rate risk, risk management, growth, and allowance for loan and lease losses (ALLL);
- (c) a plan for ensuring that the Association has the financial and personnel resources necessary to implement and adhere to the Business Plan, adequately support the Association's risk profile, maintain compliance with applicable regulatory capital requirements, and comply with this Agreement;
- (d) capital preservation and enhancement strategies with specific narrative goals, consistent with the Association's risk profile;

(e) quarterly pro forma financial projections (balance sheet, regulatory capital ratios, and income statement) for each quarter covered by the Business Plan presented in a format consistent with the Thrift Financial Report (TFR); and

(f) identification of all relevant assumptions made in formulating the Business Plan and a requirement that documentation supporting such assumptions be retained by the Association.

3. Upon receipt of written notification from the Regional Director that the Business Plan is acceptable, the Association shall implement and adhere to the Business Plan. A copy of the Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within five (5) days after the Board meeting.

4. Any material modifications<sup>1</sup> to the Business Plan must receive the prior notice of written non-objection of the Regional Director. The Association shall submit proposed material modifications to the Regional Director at least forty-five (45) days prior to implementation.

5. Within thirty (30) days after the end of each quarter, after implementation of the Business Plan, the Board shall review quarterly variance reports on the Association's compliance with the Business Plan (Business Plan Variance Reports). The Business Plan Variance Reports shall:

- (a) identify variances in the Association's actual performance during the preceding quarter as compared to the projections set forth in the Business Plan;
- (b) contain an analysis and explanation of identified variances; and
- (c) discuss the specific measures taken or to be taken to address identified variances.

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<sup>1</sup> A modification shall be considered material under this Paragraph of the Agreement if the Association plans to: (a) engage in any activity that is inconsistent with the Business Plan; or (b) exceed the level of any activity contemplated in the Business Plan or fail to meet target amounts established in the Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five percent (25%) shall be deemed to be a material modification.

6. A copy of the Business Plan Variance Reports and Board meeting minutes shall be provided to the Regional Director within five (5) days after the Board meeting.

**Classified Assets.**

7. By March 31, 2011, the Association shall adopt and implement a detailed, written plan with specific strategies, targets and timeframes to reduce<sup>2</sup> the Association's level of classified assets (Classified Asset Reduction Plan). The Classified Asset Reduction Plan, at a minimum, shall include:

- (a) quarterly targets for the level of classified assets as a percentage of Tier 1 (Core) capital plus ALLL;
- (b) a description of the methods for reducing the Association's level of classified assets to the established targets; and
- (c) all relevant assumptions and projections based on a best-case scenario, a worst-case scenario, and a most probable case scenario, and documentation supporting such assumptions and projections.

8. The Board's review and adoption of the Classified Asset Reduction Plan shall be documented in the Board meeting minutes. A copy of the Classified Asset Reduction Plan shall be provided to the Regional Director within five (5) days of adoption by the Board.

9. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall submit a quarterly written asset status report (Quarterly Asset Report) to the Board. The Board's review of the Quarterly Asset Report shall be documented in the Board meeting minutes. The Quarterly Asset Report shall include, at a minimum:

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<sup>2</sup> For purposes of this Paragraph, "reduce" means to collect, sell, charge off, or improve the quality of an asset sufficient to warrant its removal from adverse criticism or classification.

- (a) the current status of all Asset Workout Plans;
- (b) a comparison of classified assets to Tier 1 (Core) capital plus ALLL and Total Risk-Based capital;
- (c) a comparison of classified assets at the current quarter end with the preceding quarter;
- (d) a breakdown of classified assets by type and risk factor, including, but not limited to, location, origination source, residential loans, non-owned occupied single-family dwelling loans, multi-family loans, construction loans, and land loans;
- (e) a summary of loans rated “watch”;
- (f) a summary of loans designated special mention;
- (g) an assessment of the Association’s compliance with the Classified Asset Reduction Plan;
- (h) a discussion of the actions taken during the preceding quarter to reduce the Association’s level of classified assets; and
- (i) any recommended revisions or updates to the Classified Asset Reduction Plan.

10. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, a copy of the Quarterly Asset Report shall be provided to the Regional Director.

**Concentrations of Assets and Liabilities.**

11. By March 31, 2011, the Association shall revise and submit to the Regional Director for review and comment its written program for identifying, monitoring, and controlling risks associated with concentrations of loans, investments, and liabilities (Concentration Program) to ensure that it addresses all corrective actions set forth in the 2010 ROE relating to concentrations

of loans, investments, and liabilities. The Concentration Program shall comply with all applicable laws, regulations, and regulatory guidance and shall:

- (a) establish comprehensive concentration limits for loans, investments, and liabilities expressed as a percentage of Tier 1 (Core) Capital plus ALLL, and document the appropriateness of such limits based on the Association's risk profile;
- (b) establish stratification categories of the Association's concentrations of credit, including, but not limited to, non-owner occupied single-family dwellings, multi-family dwellings, construction, and land loans, and establish concentration limits expressed as percentages of Tier 1 (Core) Capital plus ALLL;
- (c) establish enhanced risk analysis, monitoring, and management for each stratification category;
- (d) contain specific review procedures and reporting requirements, including written reports to the Board, designed to identify, monitor, and control the risks associated with concentrations of loans, investments, and liabilities and periodic market analysis for the various property types and geographic markets represented in its portfolio; and
- (e) contain a written action plan, including specific time frames, for bringing the Association into compliance with its concentration limits on loans, investments, and liabilities.

12. Upon receipt of written notification from the Regional Director that the Concentration Program is acceptable, the Association shall implement and adhere to the Concentration Program. The Board's review of the Concentration Program shall be documented in the Board meeting minutes.

13. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Board shall review the appropriateness of the Association's concentration limits on loans, investments, and liabilities given current conditions and the Association's compliance with its Concentration Program including the written action plan to revise the current level of concentrations of loans, investments, and liabilities. The Board's review of the Association's Concentration Program shall be documented in the Board meeting minutes.

**Growth.**

14. Effective immediately, the Association shall not increase its total assets during any quarter in excess of an amount equal to net interest credited on deposit liabilities during the prior quarter without the prior written notice of non-objection of the Regional Director.

**Allowance for Loan and Lease Losses.**

15. By January 31, 2011, the Association shall revise and implement its policies, procedures, and methodology relating to the timely establishment and maintenance of an adequate ALLL level (ALLL Policy) to ensure that it addresses all corrective actions set forth in the 2010 ROE relating to ALLL. The ALLL Policy shall comply with applicable laws, regulations, and regulatory guidance and shall:

- (a) incorporate the results of all internal loan reviews and classifications;
- (b) address the historical loan loss rates of the Association in compliance with regulatory guidance, which shall be updated quarterly with heavier weighting assigned to rates of the most recent quarters;
- (c) address the level and impact of the Association's current concentrations of credit, including geographic concentrations;

(d) require the inclusion of all unimpaired loans in calculations made in accordance with Financial Accounting Standards Board's Accounting Standards Codification 450; and

(e) take into consideration current and prospective market and economic conditions.

16. The Board's review and adoption of the ALLL Policy shall be documented in the Board meeting minutes.

17. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall analyze the adequacy of the ALLL consistent with its ALLL Policy (Quarterly ALLL Report). The Board's review of the Quarterly ALLL Report, including, but not limited to, all qualitative factors considered in determining the adequacy of the Association's ALLL, shall be fully documented in the Board meeting minutes. Any deficiency in the ALLL shall be remedied by the Association in the quarter in which it is discovered and before the Association files its TFR with the OTS. A copy of the Quarterly ALLL Report and the Board meeting minutes detailing the Board's review shall be provided to the Regional Director within five (5) days after the Board meeting.

### **Financial Reporting.**

18. Effective immediately, the Association shall ensure that its financial reports and statements are timely and accurately prepared and filed in compliance with applicable laws, regulations, and regulatory guidance including, but not limited to, 12 C.F.R. Part 562 and the TFR instructions.

### **Liquidity Management.**

19. By March 31, 2011, the Association shall revise and implement its liquidity and funds management policy (Liquidity Management Policy) to ensure that it addresses all corrective

actions set forth in the 2010 ROE relating to liquidity and funds management. The Liquidity Management Policy shall comply with all applicable laws, regulations and regulatory guidance, and include:

- (a) alternative funding sources for meeting extraordinary demands or to provide liquidity in the event the sources identified are insufficient. Such alternative funding sources must consider, at a minimum, the selling of assets, obtaining secured lines of credit, recovering charged-off assets, injecting additional equity capital, and the priority of their implementation; and
- (b) appropriate lines of credit at correspondent banks, including the Federal Reserve Bank and Federal Home Loan Bank, that would allow the Association to borrow funds to meet depositor demands if the Association's other provisions for liquidity prove to be inadequate.

20. The Board's review and adoption of the Liquidity Management Policy shall be documented in the Board meeting minutes.

21. Within five (5) days of receipt of communication from a Federal Home Loan Bank, Federal Reserve Bank, correspondent bank, or government agency with collateralized public unit deposits regarding changes in the Association's borrowing and/or collateral requirements, the Association shall notify the Regional Director of such communication.

### **Brokered Deposits.**

22. Effective immediately, the Association is prohibited from increasing the dollar amount of brokered deposits<sup>3</sup> at the Association without receiving the prior written non-objection of the Regional Director. The Association's written request for non-objection shall be submitted to the

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<sup>3</sup> The term "brokered deposit" is defined at 12 C.F.R. § 337.6(a)(2).

Regional Director at least thirty (30) days prior to the anticipated date of acceptance of additional brokered deposits.

**Directorate and Management Changes.**

23. Effective immediately, the Association shall comply with the prior notification requirements for changes in directors and Senior Executive Officers<sup>4</sup> set forth in 12 C.F.R. Part 563, Subpart H.

**Golden Parachute Payments.**

24. Effective immediately, the Association shall not make any golden parachute payment<sup>5</sup> unless, with respect to such payment, the Association has complied with the requirements of 12 C.F.R. Part 359.

**Employment Contracts and Compensation Arrangements.**

25. Effective immediately, the Association shall not enter into, renew, extend or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or director of the Association, unless it first provides the Regional Director with not less than sixty (60) days prior written notice of the proposed transaction. The notice to the Regional Director shall include a copy of the proposed employment contract or compensation arrangement or a detailed, written description of the compensation arrangement to be offered to such officer or director, including all benefits and perquisites. The Board shall ensure that any contract, agreement or arrangement submitted to the Regional Director fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b), and 12 C.F.R. Part 570 – Appendix A.

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<sup>4</sup> The term “Senior Executive Officer” is defined at 12 C.F.R. § 563.555.

<sup>5</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

26. The Association shall not make any bonus payment to, or otherwise increase compensation of, any of its Senior Executive Officers or directors unless it first: (a) provides the Regional Director with not less than forty-five (45) days prior written notice of such proposed bonus or increase, including all documentation required to evaluate the proposed bonus or increase; and (b) receives written notice of non-objection to the proposed bonus or increase from the Regional Director.

**Third Party Contracts.**

27. Effective immediately, the Association shall not enter into any arrangement or contract with a third party service provider that is significant to the overall operation or financial condition of the Association<sup>6</sup> or outside the Association's normal course of business unless, with respect to each such contract, the Association has: (a) provided the Regional Director with a minimum of sixty (60) days prior written notice of such arrangement or contract and a written determination that the arrangement or contract complies with the standards and guidelines set forth in Thrift Bulletin 82a; and (b) received written notice of non-objection from the Regional Director.

**Violations of Law.**

28. By March 31, 2011, the Association shall ensure that all violations of law and/or regulation discussed in the 2010 ROE are corrected and that adequate policies, procedures and systems are established or revised and thereafter implemented to prevent future violations.

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<sup>6</sup> A contract will be considered significant to the overall operation or financial condition of the Association where the annual contract amount equals or exceeds two percent (2%) of the Association's total capital, where there is a foreign service provider, or where it involves information technology that is critical to the Association's daily operations without regard to the contract amount.

### **Board Oversight of Compliance with Supervisory Agreement.**

29. Effective immediately, the Board shall monitor and coordinate the Association's compliance with the provisions of this Agreement and the completion of all corrective actions required in the 2010 ROE. The Board shall review and adopt all policies and procedures required by this Agreement prior to submission to the Regional Director.

30. Within thirty (30) days after the end of each quarter, beginning with the quarter ending March 31, 2011, the Association shall prepare a written compliance progress report for the Board (Compliance Tracking Report). The Compliance Tracking Report shall, at a minimum:

- (a) separately list each corrective action required by this Agreement and the 2010 ROE;
- (b) identify the required or anticipated completion date for each corrective action; and
- (c) discuss the current status of each corrective action, including the action(s) taken or to be taken to comply with each corrective action.

31. Within forty-five (45) days after the end of each quarter, beginning with quarter ending March 31, 2011, the Board shall review the Compliance Tracking Report and all reports required to be prepared by this Agreement. Following its review, the Board shall adopt a resolution: (a) certifying that each director has reviewed the Compliance Tracking Report and all required reports; and (b) documenting any corrective actions adopted by the Board. A copy of the Compliance Tracking Report and the Board resolution shall be provided to the Regional Director within five (5) days after the Board meeting.

32. Nothing contained herein shall diminish the responsibility of the entire Board to ensure the Association's compliance with the provisions of this Agreement.

**Effective Date.**

33. This Agreement is effective on the Effective Date as shown on the first page.

**Duration.**

34. This Agreement shall remain in effect until terminated, modified or suspended, by written notice of such action by the OTS, acting by and through its authorized representatives.

**Time Calculations.**

35. Calculation of time limitations for compliance with the terms of this Agreement run from the Effective Date and shall be based on calendar days, unless otherwise noted.

**Submissions and Notices.**

36. All submissions to the OTS that are required by or contemplated by the Agreement shall be submitted within the specified timeframes.

37. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Agreement shall be in writing and sent by first class U.S. mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

(a) To: OTS  
Philip A. Gerbick, Regional Director  
Attn: Dennis Havener, Assistant Director  
Office of Thrift Supervision  
225 East John Carpenter Freeway, Suite 500  
Irving, Texas 75062-2326  
Facsimile: (972) 277-9501

(b) To: Systematic Savings and Loan Association  
Attn: Michael L. Brady, CEO  
318 South Avenue  
Springfield, Missouri 65806-2124  
Facsimile: (417) 862-5039

**No Violations Authorized.**

38. Nothing in this Agreement shall be construed as allowing the Association, its Board, officers or employees to violate any law, rule, or regulation.

**OTS Authority Not Affected.**

39. Nothing in this Agreement shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

**Other Governmental Actions Not Affected.**

40. The Association acknowledges and agrees that its execution of the Agreement is solely for the purpose of resolving the matters addressed herein, consistent with Paragraph 39 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

**Miscellaneous.**

41. The laws of the United States of America shall govern the construction and validity of this Agreement.

42. If any provision of this Agreement is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise.

43. All references to the OTS in this Agreement shall also mean any of the OTS's predecessors, successors, and assigns.

44. The section and paragraph headings in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

45. The terms of this Agreement represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters.

**Enforceability of Agreement.**

46. This Agreement is a “written agreement” entered into with an agency within the meaning and for the purposes of 12 U.S.C. § 1818.

**Signature of Directors/Board Resolution.**

47. Each Director signing this Agreement attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance and execution of the Agreement. This Agreement may be executed in counterparts by the directors after approval of execution of the Agreement at a duly called board meeting. A copy of the Board Resolution authorizing execution of this Agreement shall be delivered to the OTS, along with the executed original(s) of this Agreement.

**[Remainder of Page Intentionally Left Blank]**

**WHEREFORE**, the OTS, acting by and through its Regional Director, and the Board of the Association, hereby execute this Agreement.

**SYSTEMATIC SAVINGS AND LOAN ASSOCIATION**  
Springfield, Missouri

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Michael L. Brady, President  
Chief Executive Officer, and  
Director

By: \_\_\_\_\_ /s/  
Philip A. Gerbick  
Regional Director, Western Region

\_\_\_\_\_/s/  
Betty K. West, Director

\_\_\_\_\_/s/  
Philip Davis, Director

\_\_\_\_\_/s/  
Jack K. Hood, Director

\_\_\_\_\_/s/  
Charles H. Tillman, Director

\_\_\_\_\_/s/  
Dean Thompson, Director